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Itaipu's Forgotten History: the 1965 Brazil-Paraguay Border Crisis
and the New Geopolitics of the Southern Cone

Jacob Blanc

On March 21, 1965, a group of nearly 100 Paraguayans gathered along the shores of the Paraná River, the waters of which marked the physical border with neighbouring Brazil. Among this contingent were high-ranking figures from the Stroessner dictatorship, various government authorities, and a large group of school children. In the shadow of the majestic Guaíra waterfalls, they proceeded to raise the Paraguayan flag, sing the national anthem, and give rousing speeches about the pride and sovereignty of their nation.¹ The choice of location reveals the visit's true purpose, as this region had been a heavily disputed frontier zone for nearly a century. In response, Brazil sent its own detachment of soldiers to occupy the exact same spot and in late October arrested a group of Paraguayan officials. This cascading series of events embroiled Brazil and Paraguay in a fifteen-month geopolitical standoff. After a procession of diplomatic exchanges, threats, and battles of public opinion and popular mobilisation, the border standoff was eventually settled on June 22, 1966 with the signing of the Act of Iguazu.² This agreement was the first official step toward what would become the Itaipu dam, at the time the largest hydroelectric plant in the world.

At its core, this conflict was about territorial sovereignty in the Guaíra region: what were the limits of the international border, how did it divide the waters of the Paraná River and its famous waterfalls, and who had the right to redraw its boundaries. These issues had existed since the late 19th century, but it was only in the 1960s that these questions of topography and

¹ The region is spelled Guaíra in Portuguese, and Guairá in Spanish; this article will employ the former.

² This was known as the Ata das Cataratas in Portuguese, and the Acta de Iguazú in Spanish.

geographic demarcation resulted in a prolonged geopolitical crisis. Although scholars agree that this was the period in which Brazil emerged as the major power in the Southern Cone, they have yet to fully acknowledge the Guaíra conflict's central role in Brazil's ascent. Given this historiographic oversight, we must ask how a territorial dispute in a long-ignored border region helped change the geopolitical landscape of the Southern Cone. What were the underlying factors of the border crisis? How did they reflect shifting alliances, both within the region and with the United States? And in a decade of seemingly constant regime changes in Latin America, why did the Guaíra affair take place when it did, and what does its timing reveal about the emergence of a new political era?

This article will argue that the Guaíra border conflict was a catalyst for Brazil's rise to power. With the backing of the United States, Brazil's military regime refused to recognize Paraguay's historical claim to the frontier zone. Although the Paraguayan government did benefit from entering Brazil's sphere of influence—through participation in a bi-national dam project—it could only do so on the terms stipulated by Brazil, one of its greatest historical rival. Brazil's actions throughout the border standoff also served to marginalise Argentina, whose own borders lay downstream on the same Paraná River. Even before the 1965 saga began, Brazil had already begun to overtake Argentina as the region's major power-broker, but the control of the Paraná's hydroelectric potential helped entrench a new geopolitical hierarchy.³

³ Brazil's geopolitical overtaking of Argentina began in the 1930s and accelerated in the 1940s when the government of Getúlio Vargas aligned the country with the United States in World War II. In exchange for Brazil's war-time participation—its troops were sent to fight in Europe and the U.S. was allowed to build military bases in the nation's northeastern regions—Washington then “extended loans and technical assistance for the national steel plant at Volta Redonda, [and] gave Brazil substantial Lend-Lease aid (three-fourths of the total to Latin America)[.]” Stanley E. Hilton, ‘The United States, Brazil, and the Cold War, 1945-1960: End of the Special Relationship,’ *The Journal of American History*, 198, 68(3): 600. For more on the changing relationships during this time between Brazil, Argentina, and the United States see also Stanley

The border crisis was also shaped by the context of the Cold War. Especially after the Cuban Revolution of 1959, Latin America was an important battleground of the global Cold War, and the United States initiated a number of programs intended to stem the tide of communism in the Western Hemisphere.⁴ These included public programs like the Alliance for Progress that incentivized moderate reforms, and also covert plans to put in power leaders who would defend U.S. interests.⁵ The dictatorships of Brazil and Paraguay saw themselves as important Cold War allies of the United States: each government framed its political legitimacy on a rigid brand of anti-communism, and both sent troops to support the U.S. invasion of the Dominican Republic in 1965—an action that Argentina never took. Although the U.S. government maintained a positive relationship with Paraguay, it considered Brazil its most important partner in Latin America, and thus saw Brazil's growth as part of its own geopolitical vision. Development and industrialization were equally fundamental components of this Cold War discourse, as modernization was considered a necessary bulwark against radical insurgency. This was especially true in Brazil, where industrial development was a central pillar of the dictatorship's Doctrine of National Security. And in Paraguay, General Stroessner sought to

E. Hilton, 'The Argentine Factor in Twentieth-Century Brazilian Foreign Policy Strategy,' *Political Science Quarterly*, 1985 100(1): 27-51.

⁴ Within the large body of literature on the Cold War in Latin America, two newer works include Hal Brands, *Latin America's Cold War*, (Cambridge: Harvard University Press, 2010); and Virginia Garras-Burnett, Mark Atwood Lawrence, and Julio E. Moreno (Eds.), *Beyond the Eagle's Shadow: New Histories of Latin America's Cold War*, (Albuquerque: University of New Mexico Press, 2013).

⁵ For more on the Alliance for Progress and modernization theory, see Jeffrey F. Taffet, *Foreign Aid as Foreign Policy: the Alliance for Progress in Latin America*, (New York: Routledge, 2007), and Michael Latham, *Modernization as Ideology: American Social Science and "Nation Building" in the Kennedy Era*, (Chapel Hill: University of North Carolina Press, 2000). For more on covert U.S. actions see Stephen G. Rabe, *The Killing Zone: the United States Wages Cold War in Latin America*, (New York: Oxford University Press, 2012).

build a more industrialised nation that would earn the approval of the United States and its global allies.

To fulfil these development goals, both military regimes looked toward the disputed borderlands and the untapped hydroelectric potential of the Paraná River. For the Brazilian regime, the Guaíra standoff was an exercise in geopolitical posturing. Despite its overwhelming political and economic strength, the Brazilian regime realistically foresaw that it would have to allow its smaller neighbour to participate in a bi-national development project. Yet the Brazilian government concealed its willingness to collaborate and it consistently strong-armed Paraguay, a strategy that allowed it to unilaterally dictate the terms of how Itaipu's energy and wealth would be shared.⁶ Additionally, its advances in the frontier zone must be seen as an effort to gain access to Paraguay's fertile eastern border region for Brazilian farmers known as "brasiguaios." The Stroessner regime, for its part, was guided by a desire to consolidate political legitimacy and to become a stronger ally of the United States—even if it meant a rapprochement with Brazil. The border crisis occurred exactly one hundred years after the War of the Triple Alliance (1865-1870), and Stroessner used the legacy of the war to resurrect the image of Brazil as an unjust invader. The Paraguayan regime's efforts to deflect internal opposition toward an outside force were only partially successful, as popular dissent formed against both the Brazilian 'invasion' of the border, and Stroessner's complicity in 'selling out' the Guaíra waterfalls. Even with this domestic tension, the government's nationalist rhetoric meant that despite the concessions eventually made to Brazil, Stroessner could still claim the construction of a Paraná dam as a victory for the Paraguayan people.

⁶ Although Brazil and Paraguay technically shared equal domain to dam's energy, the 1973 Treaty of Itaipu stipulated that Paraguay had to sell its unused portion of energy exclusively to Brazil at a price that was fixed for 50 years and far below market value.

The timing of the border conflict was particularly significant for the shifting power dynamics of the Southern Cone. Paraguay had been ruled by the Stroessner dictatorship since 1954, and by the mid-1960s the government had begun to move the country away from its traditional alliance with Argentina (its neighbour to the west) in favour of Brazil (its neighbour to the east). Brazil, meanwhile, had just seen the overthrow of democratically elected João Goulart in April of 1964. The new military regime was determined to transform the country into a global player, and manoeuvred to overtake its Latin American neighbours for regional and hemispheric power. Argentina, whose borders lay downstream on the same Paraná river, was worried that a Brazil-Paraguay dam upstream would limit its own energy and commercial interests. In the early 1960s Argentina was governed by two reformist presidents who pushed back against certain U.S. interests, meaning that during the Guaíra crisis it was the only country that could not count on the support of the United States.⁷ Argentina's major backlash against what would become the Itaipu dam did not take place until the 1970s—when it repeatedly denounced Brazil in front of the United Nations—but the origins of this river-rivalry were fortified in the 1960s. Propelled by these competing political regimes, the 1965-1966 border conflict helped Brazil supplant Argentina as the region's major power.

The foundational Treaty of Itaipu would not be signed until 1973 and the dam did not begin to produce electricity until 1984. Yet its long-term impact was first set in motion in the context of the 1960s Cold War. Itaipu has since become a central vehicle for the development of both countries: the dam currently provides over 90% of all energy in Paraguay, and has been

⁷ The role of the Frondizi (1958-1962) and Illia (1962-1963) presidencies in Argentina are explained on pages 12 and 13 of this article.

cited as a key driver of Brazil's ascent as the most powerful nation in Latin America.⁸ Despite Itaipu's importance, almost no attention has been given to its bellicose beginnings. This makes it all the more necessary to explore the tense history that paved the way for what was widely referred to as 'the project of the century'.

Existing literature on the 1965 border conflict is relatively thin. Although no studies have yet to focus explicitly on this history, various works do reference the Guaíra standoff in relation to other processes, including the presence of Brazilian farmers in eastern Paraguay⁹; Stroessner's relationship with Brazil¹⁰; the political history of the Paraná River¹¹; and the role of Itaipu in Paraguay's national security regime.¹² Although each work centres on an aspect of the border crisis, they make little attempt to see how the above-cited threads are part of a single, mutually constructed narrative. Additionally, a number of political figures in both Paraguay and Brazil produced first-hand accounts written during the crisis¹³, and memoirs afterwards.¹⁴ These books contain intimate details on inter-governmental relations, yet they are constrained by the same

⁸ Nilson Monteiro, *Itaipu, a luz*. (Curitiba: Itaipu Binacional, Assessoria de Comunicação Social, 2000), pp. 10.

⁹ R. Andrew. Nickson. 'Brazilian Colonization of the Eastern Border Region of Paraguay'. *Journal of Latin American Studies*. 1981, 13 (1): 111-131.

¹⁰ Alfredo da Mota Menezes. *La herencia de Stroessner: Brasil-Paraguay, 1955-1980*. (Asunción, Paraguay: Carlos Schauman, 1990).

¹¹ Maria Regina Soares de Lima. *The Political Economy of Brazilian Foreign Policy: Nuclear Energy, Trade, and Itaipu*. (Brasília: Fundação Alexandre de Gusmão, Brasília, 2013)

¹² Christine Folch. 'Surveillance and State Violence in Stroessner's Paraguay: Itaipú Hydroelectric Dam, Archive of Terror'. *American Antropologist* 2013, 115 (1): 44-57.

¹³ Marco Antonio Laconich. *La cuestion de limites en el Salto del Guairá*. (Asunción, Paraguay: La Colmena S.A., 1964); Leopoldo Ramos Giménez. *Sobre el salto del Guairá al oído de America*. (Asunción, Paraguay, Anales del Paraguay, 1966).

¹⁴ Edgar L. Ynsfrán. *Un giro geopolítico: el milagro de una ciudad*. (Asunción, Paraguay: Instituto Paraguayo de Estudios Geopolíticos e Internacionales, 1990); Mario Gibson Barboza. *Na diplomacia, o traço todo da vida*. (Rio de Janeiro, RJ: Editora Record, 1992); Juracy Magalhães and José Alberto Gueiros. *O último tenente*. (Rio de Janeiro: Editora Record, 1996).

nationalistic blinders that defined the 1965 saga itself. Given the limitations of this scholarship, the present article aims to contribute the most thorough examination to-date of the border crisis.

Archival and ethnographic research for this article was conducted at multiple locations in both countries.¹⁵ In Brazil, the 'Memórias Reveladas' project at the National Archive in Rio de Janeiro presented recently declassified documents from the dictatorship's surveillance and security programs. Equally important were the holdings of the Itamaraty foreign ministry in Brasília, in particular a lengthy dossier on the secret 'Operation Sagarana' that until now has been unknown to scholars and offers unparalleled insight into the logistics of Brazil's border actions. In Paraguay, the holdings of the Ministry of Foreign Relations was especially useful, as was the 'Archive of Terror' housed in the Ministry of Justice.¹⁶ Interviews were also conducted with surviving political figures, and nearly a dozen newspaper sources were consulted. Additionally, the role of the United States was analysed through two digital archives of State Department files.¹⁷ Considering that so much of the conflict consisted of back-and-forth allegations over the exact events along the border, the methodology used for this article enables a side-by-side comparison of each country's narrative. Only in doing so can we make sense of what actually transpired between March of 1965 and June of 1966, and why it led to a new era of power relations in the Southern Cone.

One border, two interpretations

¹⁵ Additional archival research in Buenos Aires and Washington D.C. would contribute to an even more complete examination of the border crisis.

¹⁶ Informally known as the 'Archivo del Terror', this collection of documents from the Stroessner dictatorship is called the *Centro de Documentación y Archivo para la Defensa de los Derechos Humanos* (hereafter CDyA).

¹⁷ Foreign Relations of the United States (hereafter FRUS), <https://history.state.gov/>; "Opening the Archives Project," (hereafter OAP), <http://library.brown.edu/openingthearchives/>.

[Figure 1 here: Map of Contested Border and the Guaíra waterfalls

Source: UW Cartography Lab.]

To properly contextualise the actions and rhetoric that both nations would take throughout the 15-month standoff, it is necessary to first understand why Brazil and Paraguay had such radically different perceptions of their shared border (Figure 1). This difference of interpretation was based on the legacy of the War of the Triple Alliance and the subsequent Loizaga-Cotegipe Treaty of 1872 that designated the Guaíra waterfalls as the dividing line between nations. Paraguay referred to them collectively as the Salto de Guairá, an understanding that all seven of the falls belonged to one singular body of water. Brazil, on the other hand, called these the Sete Quedas ('seven falls'), implying that each was unique from the others.¹⁸ This distinction is critical because the Treaty of 1872 stipulated that the border between Brazil and Paraguay would stretch from the Mbaracajú mountain range toward 'the waterway or canal of the Paraná River... to the Great Fall of the Seven Falls'.¹⁹ Paraguay thus interpreted the treaty to mean that the border stretched to the northern end of the waterfalls and encompassed all of them, while Brazil considered the frontier to bisect at the fifth fall—the tallest of the seven cascades. In the context of Cold War ambitions to harness the untapped energy of the Paraná, Paraguay's understanding that the *waterfall* (singular) belonged to both countries protected its claim to participate in any development project that included any portion of the falls. For Brazil,

¹⁸ Seeking a neutral position, the present article employs the term 'Guairá waterfalls', combining both Paraguay's title of Guairá, and Brazil's use of the plural cascades.

¹⁹ See 'Tratado de límites entre la República del Paraguay y el Imperio del Brasil', 1872. Source: Archivo Histórico de la Cancillería de Paraguay. (Hereafter AHCP). A note to readers: the holdings of the AHCP are not categorically organized. As such, cited evidence contains only the identifying numbers of the original documents themselves.

however, the belief that the border bisected the *waterfalls* (plural) justified building a hydroelectric dam on its section of the river that would completely circumvent Paraguayan waters. In the 100 years since the War of the Triple Alliance, Paraguay consistently emphasized that the 1872 Treaty had left a 20km 'no man's land' east of the Guairá waterfalls. Brazil, however, maintained that the border's demarcation was clearly outlined, and refused to acknowledge Paraguay's claims. From 1872 through the early 1960s, dozens of bi-national meetings were held to discuss unresolved border issues, many of which made reference to the 20kms of un-demarcated mountains along the Paraná River.²⁰

A parallel controversy implicated Argentina, a country with an equally important claim to the Paraná. Although the river originates in Brazilian territory, its downstream flow forms the border with both Paraguay and Argentina before finally emptying out into the Plate basin and the Atlantic Ocean. Throughout the 20th century, Argentina encouraged river-use regulations based on the principle of 'prior consultation' in order to protect itself from any damages from upstream development—specifically targeting Brazil. In the first half of the century, when Argentina's regional superiority was more evident, its proposals for river regulation were respected.²¹ As Brazil's influence grew, however, it rejected Argentina's attachment to prior consultation and instead cited the 1895 Harmon Doctrine—named for the former U.S. Attorney General—to claim that it had no obligation to share water with any downstream nations.²²

After simmering as a persistent yet relatively uneventful issue for nearly a century, the question of how to use the Paraná River was thrust into the spotlight at the beginning of 1964.

²⁰ Key meetings of the Joint Border Commission included the 2nd Conference of 7/29/1933; the 11th Conference of 8/21/1939; the 13th Conference of 5/5/1941; the 15th Conference of 5/29/1945; the 21st Conference of 12/21/1955; and the 25th Conference of 11/20/1961. The minutes of these meetings are all housed in the AHCP.

²¹ Soares de Lima. *The Political Economy of Brazilian Foreign Policy*, pp. 352-357.

²² *Ibid.*, pp. 347.

On January 19, Alfredo Stroessner and João Goulart met to discuss the river's hydroelectric development. Given the political context at the time, this meeting might have seemed impossible: Goulart was a leftist social reformer while Stroessner was a military dictator at the head of a violent regime. Yet the mutual desire to harness the industrializing power of the river motivated each leader to put aside their opposing political views. Goulart's vision for a border dam differed drastically from that of the dictatorship that would eventually make the project a reality. After his meeting with Stroessner, Goulart stated that Paraguay's participation would be "a sincere, total, and absolute collaboration"—a concession that Brazil's dictatorship would only ever nominally make.²³ Goulart also mentioned that Argentina and Uruguay would be consumers of the dam's energy, an indication that he saw a hydroelectric project as a means to strengthen the geopolitical unity of the Southern Cone.²⁴ Brazil's military government used Itaipu for the exact opposite purpose, and instead saw a bi-national dam as a way to enhance its own power at the expense of neighbouring countries. Moreover, rumours suggested that Goulart would fund the dam with loans from the Soviet Union—a fact that surely incensed the anti-communist sectors in Brazil that were already plotting a regime change.²⁵

The United States was similarly opposed to Goulart. Although the U.S. government did not have a direct hand in the eventual Brazilian coup, it did systematically undermine Goulart's presidency—what one historian has called a 'quiet intervention'.²⁶ Under the banner of the Alliance for Progress, both the Kennedy (1961-63) and Johnson (1963-69) administrations saw Brazil as essential to winning the Cold War in Latin America. As noted in a 1963 State

²³ "Encontro de Presidentes: Paraguai Apóia Construção de Sete Quedas." *Última Hora*, 1/21/1964, pp. 6.

²⁴ "Stroessner faz acôrdo com Goulart: Sete Quedas." *Jornal do Brasil*, 1/21/1964, pp. 1.

²⁵ "7 Quedas: não há compromisso com USSR," *O Jornal*, 1/5/1964, pp. 1; "Goulart responderá à nota soviética, que não faz ofertas," *Jornal do Brasil*, 1/5/1964, pp. 3.

²⁶ Rabe. *The Killing Zone*, pp. 107-108.

Department memo, "If U.S. policy fails in Brazil, it will become extremely difficult to achieve success elsewhere in Latin America."²⁷ Yet Goulart was a steady thorn in the side of U.S. interests as he renewed diplomatic relations with the Soviet Union and resisted Kennedy's efforts to isolate Cuba from the rest of the hemisphere.²⁸ Moreover, the U.S. company International Telephone and Telegraph (ITT) was nationalized by Goulart's brother-in-law Leonel Brizola, the governor of Rio Grande do Sul.²⁹ And as Goulart continued to unveil increasingly progressive policies—including a vision for large-scale agrarian reform—the United States closely monitored the possibilities for military intervention. On the cusp of the 1964 coup, Secretary of State Dean Rusk informed Lincoln Gordon, the U.S. ambassador in Brazil, that the U.S. was committed to seeing the overthrow of Goulart's "communist dominated dictatorship."³⁰

Late in the night of March 31, a coup deposed Goulart and established a military regime that would rule Brazil for twenty-one years. Although the U.S. did not have a direct hand in the March 31 coup, declassified documents from the Joint Chiefs of Staff indicate that if needed by Brazil's army, a package of weapons was in reserve at McGuire Air Force base, a carrier ship was waiting in nearby waters, and oil shipments were ready for delivery.³¹ Lincoln Gordon

²⁷ State Department paper, "Guidelines of U.S. Policy and Operations, Brazil," 7 February 1963, FRUS, 1961-1963 Vol. 12: pp. 487-90.

²⁸ Joseph Smith. *Brazil and the United States: Convergence and Divergence*. (Athens: University of Georgia Press, 2010), pp. 154-156.

²⁹ W. Michael Weis, *Cold Warriors & Coups d'Etat: Brazilian-American Relations, 1945-1964*, (Albuquerque: University of New Mexico Press, 1993), pp. 153.

³⁰ Telegram from the Department of State to the Embassy in Brazil, 30 March 1964, FRUS 1964-1968 Vol. 31, Doc. 194.

³¹ J. Patrice McSherry. *Predatory States: Operation Condor and Covert War in Latin America*. (Lanham, MD: Rowman & Littlefield Publishers, 2005), pp. 53

would later compare the importance of Goulart's downfall to "the Marshall Plan, the Berlin Blockade ... and the resolution of the missile crisis in Cuba."³²

The Johnson administration recognized the new government within 18 hours of the coup, and soon thereafter gave Brazil an emergency \$50 million loan. In the remaining years of the 1960s, Brazil's dictatorship received \$1.2 billion from the United States, making it the largest recipient of Alliance for Progress funds in the western hemisphere.³³ In the initial stages of the new military regime—before glaring human rights abuses forced the United States to wean its support—Brazil's dictatorship proved to be a very beneficial investment for the U.S. government. In particular, Brazil took a leading role in the U.S. invasion of the Dominican Republic, thereby helping legitimise an intervention that was otherwise unpopular among most Latin American nations.³⁴ An analysis of U.S. financial support to Paraguay and Argentina during the 1960s further reveals shifts in the region's geopolitical landscape. Paraguay was the first nation in Latin America to request aid from the Alliance for Progress, and its package of \$80 million amounted to almost 25 percent of its entire gross domestic product (GDP).³⁵ Among other initiatives, U.S. economic aid helped construct a 200-mile highway connecting the Paraguayan capital of Asunción to the Brazilian border. This U.S.-funded road gave Paraguay a new commercial trade route to the Atlantic Ocean, further reorienting Paraguay's economic and

³² Thomas E. Skidmore. *The Politics of Military Rule in Brazil, 1964-85*. (New York: Oxford University Press, 1988), pp. 28.

³³ Rabe, *The Killing Zone*, pp. 108.

³⁴ When the U.S. invaded the Dominican Republic in April 1965, most Latin American countries criticized the action as a violation of sovereignty and the charter of the Organization of American states (OAS). In exchange for sending troops, a Brazilian general was appointed the top command position of the Inter-American Peace Force. For more, see Ruth Leacock. *Requiem for Revolution the United States and Brazil, 1961-1969*. (Kent, Ohio: Kent State University Press, 1990), pp. 235-236.

³⁵ Frank O. Mora and Jerry W. Cooney. *Paraguay and the United States*. (Athens: University of Georgia Press, 2007), pp. 167.

political compass away from Argentina and toward Brazil. Frank Mora and Jerry Cooney write that the United States supported Stroessner's growing ties with Brazil largely because the U.S. State Department was increasingly suspicious of Argentina's civilian president Arturo Illia (1963-1966).³⁶ Illia had vowed to cancel all foreign oil contracts in Argentina, all while significantly increasing commercial ties to the Soviet Union.³⁷ Consequently, the U.S. economic aid to Argentina decreased from \$135 million in 1963 to \$21 million in 1964.³⁸ These trends accelerated Brazil's continued emergence as the major force in the Southern Cone.

Despite these emerging financial and political alliances, the relationship between Brazil and Paraguay was far from simple. Both countries were ruled by military regimes with similar worldviews, yet it was exactly that overlap in geopolitical ambition that would soon incite a major crisis. Even the names of their policies were foreboding: in Paraguay, Stroessner called his realignment away from Argentina the 'March to the East', and starting in the 1930s, Brazil's own vision for territorial and ideological expansion had been known as the 'March to the West'. Each government set its sights on the energy potential of the Paraná River and began to press its claims to the border region around the Guairá waterfalls. For nearly a century the diverging interpretations of the border had existed rather benignly, but in the Cold War climate of the 1960s it produced a stalemate wherein both governments felt that their position was the only possible version of the truth. A report from Brazil's National Intelligence Service would later

³⁶ Mora and Cooney, *Paraguay and the United States*, pp. 180. On the heels of the previous presidency of Arturo Frondizi (1958-1962), Illia offered renewed challenges to U.S. interests, especially in the context of the 1963 oil crisis. For more see Dustin Walcher, 'Petroleum Pitfalls, The United States, Argentina, Nationalism, and the 1963 Oil Crisis,' *Diplomatic History*, 2003 37(1): 24-57.

³⁷ José Paradiso. *Debates y trayectoria de la política exterior argentina*. (Buenos Aires, Argentina: Grupo Editor Latinoamericano, 1993), pp. 150.

³⁸ Lester D. Langley. *America and the Americas: the United States in the Western Hemisphere*. (Athens: University of Georgia Press, 1989).

describe Paraguay's beliefs as 'entirely absurd, a perversion of legal-historical fact... by a pseudo-geographic worldview'.³⁹ Paraguay, for its part, considered its stance to be 'completely solid' and ridiculed Brazil's assertions that the border had been 'definitively and fully demarcated since 1872'.⁴⁰ It was in this context of mutual distrust that the simmering border conflict began to boil over.

The border takes centre stage

The day before the contingent of Paraguayans gathered near Guaíra on March 21, 1965, General Alfredo Stroessner had personally visited the border. According to Paraguay's Minister of the Interior, Stroessner wanted to 'survey and measure the geopolitical potential of the area' and left instructions to assemble the local population in order to inform them of 'our frontier divisions and our rights [in] the region'.⁴¹ The following day nearly one hundred Paraguayans gathered along the shores of the Paraná where a ceremony was held, the Paraguayan flag was raised, the national anthem was sung, and patriotic speeches were given that proclaimed the region to belong to Paraguay.⁴² (Figure 2) According to evidence compiled by Brazil's Operation Sagarana, these speeches included statements that 'Paraguay would recuperate this territory that

³⁹ Secret letter from João Baptista Figueiredo to President Emílio Médici, 12/1/1969. Exposição de Motivos No. 056/69, in: BR AN, BSB N8.0.PSN, EST.285, National Archive-Brasília (henceforth AN-BSB).

⁴⁰ Paraguay citations come from DPI 712, 12/14/1965, AHCP; and 'Suscinia informacion sobre el diferendo paraguayo-brasileño relativo al salto del guaira'. 3/15/66, AHCP.

⁴¹ Ynsfrán, *Un giro geopolítico*, pp. 70.

⁴² As described in: Ynsfrán, *Un giro geopolítico*, 70; and Brazilian Embassy Note 322, 11/8/1965, AHCP.

was stolen from them after the War of the Triple Alliance'.⁴³ A series of investigative reports published in the *Jornal do Brasil* reveal that three Brazilian citizens who lived nearby witnessed these actions, and one even ran home to get a camera. Once the Paraguayans had left, all three Brazilians went to the nearest military office to hand over the film negatives and give official testimony to what they saw.⁴⁴

[Figure 2 here: Paraguay's Flag-Raising Ceremony, March 21 1965. Major Meza Guerrero addresses the crowd along the border.]

Source: EG dpr 1979.03.08, Pasta III, doc. 60-A1. CPDOC-FGV.]

A few weeks later, Coronel Octávio da Silva Tosta, as head of the National Security Council's Special Border Commission (*Comissão Especial da Faixa da Fronteira*) went to the region to verify Paraguay's actions and, more importantly, to plan Brazil's response. It was on this visit that Coronel Tosta began formulating what would become Operation Sagarana, a secret collaboration between Itamaraty, the army, and various government ministries. With the explicit goal of occupying the border region militarily, Operation Sagarana sought to link the frontier zone to the adjacent Brazilian states of Paraná and Mato Grosso do Sul, a process intended to also curb Paraguay's influence in the area. Colonel Tosta returned to Rio de Janeiro and presented his report to the National Security Council. The details of Operation Sagarana were then outlined in meetings with General Artur da Costa e Silva, the Minister of War, and Vasco Leitão da Cunha,

⁴³ 'Operation Sagarana', Secret report CTF/1, 254(43), paragraph 29. 6/22/1967. Arquivo Histórico de Itamaraty, Brasília (henceforth AHI).

⁴⁴ 'Hasteamento da bandeira paraguaia em Coronel Renato provocou a sua ocupação pelos militares brasileiros'. *Jornal do Brasil*, 1/6/1966, pp. 7. This article was the second in a five-part series on the border conflict. The witness testimony was then passed along to General Alvaro Tavares do Carmo, Commander of the 5th Military Region. Source: Ministry of War No. 994/S-102-CIE. In BR.DFAN.BSB.Z4.SNA.CFR.0007. AN-BSB.

the Minister of Foreign Relations.⁴⁵ With the operation's framework in place, the authorisation was given to deploy members of the Brazilian military to the exact location where the Paraguayans had held their ceremonies.⁴⁶

Two months later, on June 17, a detachment made up of one sergeant and seven soldiers crossed the Paraná River and set up camp just south of a small outpost known as Porto Coronel Renato.⁴⁷ More than any other aspect of the 15-month border conflict, it was this presence of Brazil's military that caused the most controversy. For Paraguay, this 'act of aggression' was nothing short of a complete violation of its territorial sovereignty.⁴⁸ Brazil, on the other hand, considered Porto Renato to be within its own national boundaries and thus saw Paraguay's previous actions in March—and not its own movement in June—as the *actual* invasion. Well aware of the reactions that this military incursion would incite, the Brazilian government deployed a Cold War rationale by saying that the detachment was only there to protect against communist terrorism along the border.⁴⁹ Over the course of the next year, Brazil routinely downplayed both the size and importance of these soldiers, referring to the group as nothing but 'a tiny detachment' or implying that their presence in the region was merely 'symbolic'.⁵⁰

⁴⁵ 'Operation Sagarana', Secret report CTF/1, 254(43), paragraphs 30-32, 38. 6/22/1967. AHI.

⁴⁶ Ministry of War No. 994/S-102-CIE. In BR.DFAN.BSB.Z4.SNA.CFR.0007. National Archive, Rio de Janeiro (henceforth AN-RJ).

⁴⁷ Ibid., 4. It should be noted that the present article offers the first evidence of the exact date that Brazilian troops occupied the border. In all previous scholarship, it was only known that these soldiers arrived at some point in June.

⁴⁸ 'Antecedentes históricos del litigio Paraguay-Brasil'. 5/10/1966. AHCP.

⁴⁹ Verbal note from Castello Branco to Stroessner, 9/1/65. AHCP.

⁵⁰ References to the small size of the detachment come from Minutes of the National Security Council (CNS), 3/16/1966, in BR AN,BSB N8.0.PSN, EST.286; the symbolism of the troops was noted by Chancellor Juracy Magalhães in an interview on 4/5/1966, source: JM pi 66.04.05/1, CPDOC-FGV.

Internal documents, however, indicate that Brazil explicitly sent the detachment in order to 'counteract Paraguay's growing presence in the region'.⁵¹

News of Brazil's garrison in Porto Renato made its way to Asunción where Paraguayan authorities immediately began applying diplomatic pressure for the removal of the troops. Chancellor Raul Sapena Pastor met routinely with Jaime Souza Gomes, the Brazilian ambassador, and even General Stroessner made personal appeals to his colleagues in Brazil. Having made little progress in Asunción, Chancellor Pastor travelled to Brasília in early July to make his appeal directly to Brazil's Foreign Minister.⁵² For nearly two months Brazil gave no response, nor did it officially acknowledge that it had even sent troops across the Paraná River. On September 1 Brazil's president, General Humberto Castello Branco, finally sent a letter to Stroessner in which he stated that the group in Porto Renato 'cannot represent anything inconvenient or harmful for either country, and that its presence can by no means indicate a strategy of pressure, coercion or repression on the part of the Brazilian Government'.⁵³ Nowhere in his note did Castello Branco refer to the appeal to have the troops removed. The dismissive tone of this letter must have incensed Paraguay—one report noted that Stroessner himself was left 'totally unsatisfied'—and the Ministry of Foreign Relations spent the next three weeks preparing a lengthy response.⁵⁴ This marked the beginning of a back-and-forth exchange between foreign ministries that one Paraguayan official referred to as 'a veritable paper war'.⁵⁵

⁵¹ Secret letter from João Baptista Figueiredo to President Emílio Médici, 12/1/1969. *Exposição de Motivos* No. 056/69, in: BR AN,BSB N8.0.PSN, EST.285, AN-BSB.

⁵² Minutes of the National Security Council (CNS), 3/16/1966, in BR AN,BSB N8.0.PSN, EST.286. AN-BSB.

⁵³ Verbal note from Castello Branco to Stroessner, 9/1/65. AHCP.

⁵⁴ Telegram 408, Brazil embassy in Asunción, 11/28/1965. DAM/DF/932.(42)(43). AHI.

⁵⁵ Ynsfrán, *Un giro geopolítico*, 73. In the following months six letters were exchanged between both foreign ministries on the following dates: 9/25, 10/22, 10/29, 11/8, 11/9, and 12/14. Source: AHI.

As this conflict unfolded in the sphere of diplomatic communication, it also began to materialise on the ground itself.

Jockeying for control of the border

In the middle of October, Paraguay received reports that Brazil was constructing barracks, roads, and even an airstrip on the lands adjacent to Porto Renato—the early results of Operation Sagarana. On October 20 Chancellor Pastor delivered a letter to Ambassador Souza Gomes hoping that Brazil could confirm its increased presence along the border. Expressing his disappointment in how unresponsive Brazil had been over the previous month, Pastor also indicated that he had just commissioned a group of important Paraguayan authorities to travel to the ‘un-demarcated zone’ to report back personally to him.⁵⁶ On the morning of October 21, 1965—exactly seven months after Paraguay’s previous trip to the border region—five men boarded a plane in Asunción and after landing on an empty road due to a lack of airports, drove in a jeep to where the Brazilian detachment was stationed. This group consisted of Pedro Godinot de Villare, the Undersecretary of Foreign Relations; Carlos Saldivar, the Chancellor’s legal advisor; Emilio Meza Guerrero, a former general and engineer with the National Border Commission; Conrado Pappalardo, Stroessner’s Chief-of-Staff; and an accompanying photographer. The group arrived in Porto Renato in the early afternoon and began taking pictures of the newly constructed facilities along the eastern shore of the Paraná River. A truck carrying Brazilian soldiers quickly appeared and detained the group for several hours.

⁵⁶ DPI 604, 10/22/1965. Source: AHCP.

What happened next depends on who is telling the story, as each country would craft a narrative according to its own geopolitical needs. For understanding the importance of these actions, however, what matters is not distilling the 'truth' of what happened. Rather, we must trace how these competing stories were re-told and disseminated by each nation, quickly becoming a central hub on which the border conflict would revolve.

The only two living members of the arrested Paraguayans, Saldivar and Pappalardo, offer their version of what took place in Porto Renato. Both men recall that the Brazilian sergeant refused to provide a reason for their detainment, and was extremely insulting and condescending. Saldivar remembers feeling particularly anxious because, to him, the previous months 'had felt like a war... we knew what had happened [in the War of the Triple Alliance], and our arrest could have started another one'.⁵⁷ A moment of tension that stands out in Pappalardo's memories was when Meza Guerrero was instructed to hand over his gun but refused, claiming that it was his right as a Paraguayan to defend himself whenever necessary. Trying to deflate the situation, Pappalardo told his compatriot, 'Emilio, my dear friend, hand over your pistol to this sergeant, and tomorrow I'll buy you five new ones back in Asunción'. It was at this point, according to Pappalardo, that Brazilian reinforcements arrived in the form of an army major, a captain, two lieutenants, and a company of 'heavily armed soldiers' who assumed 'combat positions' and treated them with 'total incivility'.⁵⁸ A Paraguayan press release emphasized these details, accusing Brazilian authorities of 'mistreatment'.⁵⁹ For the remainder of the afternoon, the Paraguayans were forced to sit outside—on tree stumps, according to Saldivar—until the

⁵⁷ Carlos Saldivar, interview by author. January 14, 2015. Asunción, Paraguay.

⁵⁸ Conrado Pappalardo, interview by author. January 5, 2015. Asunción, Paraguay.

⁵⁹ 'Press release from the Ministerio de Relaciones Exteriores', 10/26/1965. Source: AHCP.

Commander of Brazil's southern army arrived and gave the authorisation to release the five men.⁶⁰

In Brazil's recounting of these events, the biggest discrepancy was that 'the Paraguayan commission was never at any point detained' and that it was simply a matter of waiting until the proper authorities could arrive.⁶¹ Brazil's narrative claimed the following sequence of events. When initially approached by the Brazilian soldiers, the Paraguayan authorities refused to give their names, and when instructed to hand over their photography equipment, Meza Guerrero refused and acted in an increasingly threatening manner. The Brazilian sergeant then told the photographer to stay where he was until the commanding officer, Capitan Gildon Pinto de Madeiras, could come sort out the situation. Meza Guerrero asked if they were being arrested and the sergeant told him no, that only the photographer was being asked to stay put. According to one version disseminated in the Brazilian press, the Paraguayan authorities then voluntarily 'turned themselves in' as an act of solidarity with their detained photographer.⁶² When Captain Madeiras arrived, he instructed the Paraguayans that they were not permitted to take photographs of Brazil's military presence, and moreover, that they had intruded two kilometres into Brazilian territory. Outraged at the suggestion that this land belonged to Brazil, Meza Guerrero drew his gun and threatened to 'send an armed squadron of Paraguayans to trap the Brazilian soldiers'. It was at this point that Meza Guerrero was asked to hand over his weapon and the situation calmed down immediately. According to Brazil, 'everything ended with a perfect understanding, with

⁶⁰ According to different versions of the story, the Paraguayans were detained between four and six hours.

⁶¹ Brazilian Embassy Note 322, 11/8/1965. Source: AHCP.

⁶² 'Hasteamento da bandeira paraguaia em Coronel Renato provocou a sua ocupação pelos militares brasileiros'. *Jornal do Brasil*, 1/6/1966, pp. 7.

normal farewells' and Meza Guerrero even extended a cordial invitation to the Brazilian officers to spend the December holidays with their families in Asunción.

Regardless of how exactly this incident transpired, it served to rapidly accelerate the border conflict. And whereas the early months of this standoff had mostly existed in the realm of inter-embassy exchanges, the events of October 21 attracted widespread media attention and inaugurated the battle for public opinion that would play out over the following year. Paraguay in particular seized on this new theatre of conflict and routinely portrayed Brazil as the aggressor. As Christine Folch has shown, the Paraguayan public was shown that Brazil's presence in Guaíra 'was nothing less than a provocation to war and an affront to Paraguay's national sovereignty. Speeches and letters to the editor in repudiation of Brazilian aggression were an almost a daily feature in October and November 1965'.⁶³ In response, Brazil maintained that there did not exist a disputed region and that the land near Porto Renato was entirely within its own boundaries.⁶⁴ News of the October 21 arrests circulated widely and sparked debate over the possibility of international mediation as Argentina, Uruguay, and even the United Nations were proposed as potential arbiters.⁶⁵

On November 24, Stroessner had two different meetings with foreign leaders to discuss the simmering border conflict. First, he spent the late morning with Dean Rusk, the U.S. Secretary of State who was returning from giving the keynote speech at a conference in Rio de Janeiro. The transcript of this meeting reveals the depths of Stroessner's desire to be respected by world leaders: after emphasizing how well his soldiers had done in supporting the U.S. invasion

⁶³ Folch. 'Surveillance and State Violence in Stroessner's Paraguay', pp. 47.

⁶⁴ 'Itamarati nega litigio entre Brasil-Paraguai', *Folha de São Paulo*, 11/3/65, pp. 13.

⁶⁵ This news comes from 'Brasil propõe ao Paraguai arbitragem internacional' *Folha de São Paulo* 11/16/1965, pp. 11; and 'Brasil quer arbitragem em 7 Quedas', *Jornal do Brasil* 11/18/1965, pp. 17.

of the Dominican Republic, Stroessner complained that Paraguay was receiving far less economic aid than other Latin American countries. He then boasted that many foreign dignitaries, including French president Charles de Gaulle, 'had assured him that he was a great president presiding over an exemplary government'. Stroessner ended the meeting with an appeal that bordered on neediness, imploring Rusk to give Paraguay 'more attention at the top and more favourable treatment in general'.⁶⁶ Despite the U.S.'s positive leanings toward Paraguay—Richard Nixon would later praise Paraguay 'for opposing communism more strongly than any other nation in the world'⁶⁷—the meeting with Secretary Rusk left little doubt that Brazil was the preferred partner of the United States.

In the afternoon Stroessner then met with the Brazilian general Golbery do Couto e Silva, who was not only one of the most influential officials of the military regime, but also a former colleague of Stroessner's.⁶⁸ Couto e Silva's role in mediating the border situation was especially significant since he was the ideological architect of the dictatorship's Doctrine of National Security (*Doutrina de Segurança Nacional*, DSN). Formed during his tenure at the Superior War College, Couto e Silva's vision for the DSN included theories of war, of Brazil's potential as a world superpower, and a development model that combined Keynesian economics and state capitalism.⁶⁹ Industrialization was key to achieving the goals of the DSN, yet Brazil's industrial

⁶⁶ Memo of Conversation, State Department. FRUS, 1964–1968 Vol. 31, South and Central America; Mexico, Doc. 465.

⁶⁷ Dennis Hanratty and Sandra Meditz. *Paraguay: A Country Study*. (Washington, DC: Library of Congress, Federal Research Division, 1990), pp. 46.

⁶⁸ 'Diplomacia' *Ultima Hora*, 11/25/1965, pp. 6. Couto e Silva had been dispatched to Asunción at the personal request of President Castello Branco, largely because he and Stroessner knew each other well from their time together in the Brazilian Army Mission in Paraguay.

⁶⁹ Helena Moreira Alves. *State and Opposition in Military Brazil*. (Austin: University of Texas Press, 1985), pp. 8.

progress had been slowed by a lack of consistent energy sources.⁷⁰ A hydroelectric dam on the Paraná River thus presented Couto e Silva and his colleagues with the prospect of enough energy to power a new era of industrialization. Additionally, Couto e Silva surely saw the Guairá standoff as a perfect opportunity to fulfil the idea of '*fronteiras vivas*' (living borders). This ideology linked Brazil's global prowess to the development of its borders—both in the sense of physical fortification, and also of Brazil's ideological ascension beyond the boundaries of its nation-state.⁷¹ Under Couto e Silva's guidance in the 1960s, these development ideologies would eventually make the Itaipu dam the paragon of state development. It also set in motion the expansion of Brazilian farmers across the Paraguayan border and the establishment of new agricultural colonies.

While politicians and military officials worked behind the scenes, the unfolding border conflict motivated popular forces to mobilise direct responses. On November 27 a demonstration was held in Asunción that was organised primarily by the youth sections of the Febrerista and Christian Democrats opposition parties. In full defiance of Paraguay's Law 294 that outlawed almost all forms of public protest, the crowd wound its way through downtown, stopping only at targeted locations: they burned a Brazilian flag in front of the Commerce Office of the Brazilian Embassy, threw Molotov cocktails through the windows of various Brazilian-owned business, lit smoke bombs across from the Centre for Brazilian studies, and spread graffiti on the walls of the Brazilian Military Offices proclaiming: '*Paraguay sí, bandeirantes no: Fuera los mamelucos*'

⁷⁰ Joel Bergsman, a U.S. economist who worked for Brazil's Ministry of Planning in 1966, noted that despite Brazil's immense hydroelectric potential, electric power remained a persistent problem. In particular, the country's industrial centres of São Paulo and Rio de Janeiro had suffered major power shortages since the 1940s. Source: Joel Bergsman. *Brazil: Industrialization and Trade Policies*. (London: Oxford University Press, 1970), pp. 64.

⁷¹ Golbery do Couto e Silva. *Geopolítica do Brasil*. (Rio de Janeiro: Livraria J. Olympio, 1967).

(Paraguay yes, invaders no: out with the bastards).⁷² The Paraguayan police descended on the protestors, violently dispersed the crowd and arrested 15 students.⁷³

This demonstration was significant not only because it indicated the Paraguayan youth's willingness to defy a repressive dictatorship, but even more because it belied the myth propagated by Stroessner that the entire country rallied behind his government to oppose Brazil. Over the following months, a specific narrative played on loop in the state-sponsored media, suggesting that for the first time since Stroessner took power in 1954 all political factions in Paraguay could unite around a common cause.⁷⁴ For Stroessner, this was an opportunity to deflect criticism toward an external target, allowing him to declare that,

All the sectors of public opinion in Paraguay have expressed their outrage at the occupation of the non-demarcated border zone by Brazilian forces. All of the centres, associations, clubs, students... the unions, [the] cultural, social, and political groups, the veterans of the Chaco War, the Army Reserves, everyone without exception has spontaneously denounced the hostile attitude [of Brazil].⁷⁵

⁷² More than just invader, *bandeirante* refers to the slaving raids in colonial Paraguay by Brazilians from the São Paulo region. *Mameluco* is a Portuguese word that refers to the first generation offspring of a European and an Amerindian. Its use during the protests in Paraguay can be seen as a reference both to Brazil's alleged sense of superiority (for having descended from European culture), and the historical violation that Brazil wrought on native lands.

⁷³ Descriptions of the November 27 demonstration come from CDyA 1F 0974-981; 9F 1829-1831; 'Hasteamento da bandeira paraguaia em Coronel Renato provocou a sua ocupação pelos militares brasileiros'. *Jornal do Brasil*, 1/6/1966, pp. 7; Ricardo Caballero Aquino, interview by author, January 7, 2015, Asunción, Paraguay; and Note 949, Brazil embassy in Asunción, 12/2/1965. AHI.

⁷⁴ Examples of news articles discussing the unifying perception of opposition to Brazil include 'El Partido R. Febrerista se Pronuncia en Diferendo Fronterizo con Brasil', *El Pueblo* 1/6/1966; 'Centro Paraguayo de Ingenieros al Condenar Actitud Inamistosa de Brasil se Solidariza con el Gobierno', *Patria* 1/14/1966.

⁷⁵ Stroessner speech to Paraguay's House of Representatives, 4/1/1966. Reproduced in Giménez, *Sobre el salto del Guairá al oído de América*, pp. 6-13.

Yet the November 27 protest was evidence to the contrary, since it targeted both the Brazilian occupation *and* Stroessner's own complicity. Ricardo Caballero Aquino was a high school student when he participated in the protest, and remembers that a central rallying cry was how the dictatorship had sold out the Paraguayan people in order to allow Brazil to take over Guairá. Moreover, Caballero Aquino recalls speeches from that day where student leaders spoke of how Stroessner had gone to military school in Rio de Janeiro and 'has been in love with Brazil ever since'.⁷⁶ This criticism of Stroessner was not misplaced, since he did study in Brazil and maintained close ties with the Brazilian military. Itamaraty was keenly aware of this fact and sought to exploit Stroessner's need to balance 'his personal feelings with the official stance of the Paraguayan government'.⁷⁷ Along with an overarching desire to participate in a Paraná hydroelectric project, Stroessner's connections to Brazil help explain his administration's approach to navigating a standoff with its much larger neighbour. Despite Stroessner's public declarations that all of Paraguay was united against the occupation of its frontier, he proved very willing to appease Brazil at key moments of the border conflict. Less than a week after the anti-Brazil student protests, the Stroessner regime officially apologised to the Brazilian government and offered full compensation for the damages incurred.⁷⁸

Tensions continued to mount and according to Mario Gibson Barboza—the newly appointed ambassador in Asunción—1966 began in a climate of 'enormous difficulty. Brazil found itself on the brink of war with Paraguay ... The conflict was strong and violent, the impasse deep and insurmountable ... and all over the great problem of sovereignty, that magical

⁷⁶ Ricardo Caballero Aquino, interview by author. January 7, 2015, Asunción, Paraguay.

⁷⁷ Secret note 839. 930(42)(43), Brazil embassy in Asunción, 11/5/1965. AHI.

⁷⁸ 'Paraguai vai indenizar o Brasil', *O Globo* 12/2/1965, pp. 8.

word for which people kill and are killed'.⁷⁹ Seeking to win the support of the international community, Paraguay began sending out copies of its previous communication with Brazil to embassies and foreign ministries all over the world.⁸⁰ In February, Chancellor Pastor wrote to Ambassador Barboza to express his 'energetic protest' in light of news that Brazil had recently built new roads along the border, and increased its presence in the region to over 600 men.⁸¹ Comparing multiple versions of this letter offers some fascinating insight into the minutia of the border conflict. Although Brazil eventually received a fully edited copy, rough drafts can be found in the archive of Paraguay's Ministry of Foreign Relations. Of particular interest are several instances where the original draft referenced the waterfalls as '*los saltos*', (the falls) only to have hand-written notes in the margins change the wording to '*el salto*' (the fall). This indicates that Paraguay's interpretation was not automatically known, and that even within the foreign ministry great attention had to be given to putting forth a unified and consistent message. With so much depending on each country's ability to defend its particular view of the border, even the slightest mistake could be disastrous.

The increase of Brazil's border presence was the product of the successful early stages of Operation Sagarana, the funding for which came from the Ministry of War and Itamaraty. After the detachment of troops in June fulfilled the first objective of occupying the region, Operation Sagarana moved on to its second phase and constructed multiple airstrips, a vast network of roads, multiple housing complexes, and electricity lines that connected Porto Renato to the city of Guaíra. Additionally, Coronel Tosta mobilised his connections with the Brazilian Institute for

⁷⁹ Barboza, *Na diplomacia, o traço todo da vida*, pp. 85.

⁸⁰ The most widely distributed of these exchanges occurred in January of 1966, when Paraguay sent out copies of a lengthy letter (DPI No. 712) it had written to Brazil on December 14, 1965, sharing it with twenty different embassies throughout the world. Source: DPI notes 17-42, 1966. AHCP.

⁸¹ DPI 75, 2/9/1966. Source: AHCP.

Agrarian Reform (*Instituto Brasileiro de Reforma Agraria*, IBRA), to secure land titles throughout the region. Tosta was close friends with IBRA's Director of Land Resources, General Jaul Pires de Castro, who within 48 hours had signed a decree to expropriate lands in the border zone of Amambaí. These holdings were eventually used to accomplish the longer-term goals of building schools, hospitals, and residences to support an expanded military population.⁸² So while both governments jockeyed for political and diplomatic leverage in the ongoing border debate, Operation Sagarana steadily reinforced Brazil's physical claim to the area.

In early March, Brazil's National Security Council convened to discuss the ongoing border conflict.⁸³ In attendance were President Castello Branco, his entire cabinet, and every high-ranking government minister. The timing of this gathering was especially important since the *Serviço de Segurança Nacional*—a branch of the military's secret police—had just submitted a report claiming that Paraguayan forces were planning to incite its border population to 'infiltrate Brazilian lands and massacre the soldiers posted in Porto Renato in order to "cleanse their national honor"'.⁸⁴ No uprising ever occurred, and it is unlikely that Brazil's top leaders saw Paraguay's army as a credible threat. But even if the Brazilian government could disregard reports of potential border violence, it was still cognizant of the standoff's wider meanings. President Castello Branco told the Security Council that the Guaira conflict held serious implications for all of South America, and emphasized above all that Paraguay played an essential role in limiting the hegemony of Argentina.⁸⁵

The changing geopolitical landscape was evident to all governments involved. In Paraguay, the Stroessner regime sought to leverage its position between Brazil and Argentina—

⁸² 'Operation Sagarana', Secret report CTF/1, 254(43), paragraphs 38-44. 6/22/1967. AHI.

⁸³ Minutes of the CNS, 3/16/1966, in BR AN.BSB N8.0.PSN, EST.286. AN-BSB.

⁸⁴ SSN/188/502.52, in BR.DFAN.BSB.Z4.SNA.CFR.0006, AN-BSB.

⁸⁵ Minutes of the CNS, 3/16/1966, in BR AN.BSB N8.0.PSN, EST.286, 2. AN-BSB.

both geographically and politically—to increase its own economic standing. A report from the U.S. embassy in Asunción observed that ‘To bring pressure on Brazil ... Paraguay is now playing up improved relations with Argentina’.⁸⁶ This eventually led Stroessner to negotiate a deal with Argentina for a second bi-national dam on the same Paraná River, a project that resulted in the Yacyretá hydroelectric station only 500 kilometres downstream of the future Itaipu site. Paraguay was thus able to play into the Brazil-Argentina rivalry to stake a claim to two different hydroelectric projects along its borders. For Argentina, competition over the Paraná River was part of what the former Argentine diplomat Juan Archibaldo Lanus referred to as the ‘hydroelectric saga’.⁸⁷ Along with threatening its own energy projects further downstream, a Brazil-Paraguay dam would cut off Argentina’s shipping and commercial lines to São Paulo through the Paraná-Tietê river systems. More conspiratorially, Argentina would later claim that Brazil could use a dam as a ‘water bomb’ weapon that could flood Buenos Aires.⁸⁸

Brazil’s willingness to antagonize neighbouring countries is explained, in part, by the fact that it could still count on the support of the U.S. government. At an economic forum held in Buenos Aires, Lincoln Gordon—now the Assistant Secretary for Inter-American Affairs—was approached by Paraguayan delegates who wished to speak with him about the border conflict at Guaira. Gordon acknowledged that he had indeed received all of the documents that Paraguay had sent over the previous year—none of which received an official response—but indicated ‘that it would be very difficult for Brazil to remove its military forces’. Moreover, he voiced his concerns about a ‘smear campaign’ in the Paraguayan media against Brazil. Although Gordon let

⁸⁶ Department of State Airgram, No. A-167, 10/13/1963. Source: OAP, <https://repository.library.brown.edu/studio/item/bdr:355471/> accessed 1/28/2016.

⁸⁷ Juan Archibaldo Lanús. *De Chapultepec al Beagle: política exterior argentina, 1945-1980*. (Buenos Aires, Argentina: Emecé Editores, 1984), pp. 294.

⁸⁸ MRE No. 18/73, 8/18/1973. AHCP.

it be known that his government was siding with Brazil in the border conflict, he did inform the Paraguayans that the administration of Lyndon Johnson was very interested in the prospect of building a hydroelectric dam on the Paraná River.⁸⁹

During this impasse, both governments continued to lobby potential allies and rally domestic support. In early April Stroessner gave a lengthy speech to the Paraguayan House of Representatives in which he denounced Brazil's invasion of Guairá and its failure to honour the legal and moral codes of 'panamericanism that serve as the foundation of cooperation, solidarity, and friendship amongst the peoples of this hemisphere'. His description of Brazil as an imperialist nation was intended to juxtapose his characterisation of Paraguay as a 'generous, welcoming, and heroic' country that harboured neither 'a domineering spirit nor greed'.⁹⁰ The rhetoric of Stroessner's speech reverberated almost daily in the pages of Paraguay's newspapers. *Patria*, the official print organ of Stroessner's Colorado Party, ran a month-long series of articles titled 'Guairá in the spotlight of America'.⁹¹ Even opposition newspapers got swept up in wave of anti-Brazilian nationalism; *El Pueblo*, a paper connected to the Partido Febrerista Revolucionario, changed its masthead to proclaim that, 'The Guairá Falls are and always will be Paraguayan'.⁹² Newspapers throughout the western hemisphere also provided coverage, including the New York Times and the Washington Post, and other large dailies in Mexico, Chile, Venezuela, Panama, and Argentina.⁹³

⁸⁹ DPI 192, 4/14/1966. AHCP.

⁹⁰ Stroessner speech to Paraguay's House of Representatives, 4/1/1966. Reproduced in Giménez, *Sobre el salto del Guairá al oído de América*, pp. 11-18.

⁹¹ 'Guairá al oído de América', *Patria*, April 1966.

⁹² 'Los Saltos del Guairá son y serán Siempre Paraguayos!', *El Pueblo*, 3/5/1966.

⁹³ Clippings of these international articles are included amongst Itamaraty notes numbers 107-485, dated 3/19/1966 through 4/24/1966. Source: AHI.

The Brazilian presses did not replicate the same fiery discourse as their Paraguayan counterparts, but Juracy Magalhães consistently gave interviews with brash and often belittling statements about Paraguay. In response to Paraguay's chancellor having called Brazil 'aggressive and expansionist', Magalhães said that, 'All of the Americas are well aware of the situation of our two governments and knows which of the two must resort to fabricating artificial storylines'.⁹⁴ At a speech to the Chamber of Deputies in the middle of May, Magalhães spoke at great length about the Treaty of 1872 and justified Brazil's subsequent actions by declaring that, 'we have the duty to preserve the political legacy of our forefathers and the territory they left us'. Despite the political posturing that consumed most of his remarks, Magalhães concluded by appealing directly to Paraguay and hinted at the underlying current of the border conflict that would very soon take centre stage: 'We hope that the Paraguayan government trusts in the genuine sincerity of our offer to meet together for the wellbeing of both of our friendly nations, in hopes of jointly developing all of the resources offered by the Sete Quedas waterfalls'.⁹⁵

The Act of Iguaçu and the birth of Itaipu

On June 21, representatives from both countries met in the border region for two intense days of negotiations that produced the Act of Iguaçu, a relatively short document that laid the

⁹⁴ 'Juracy entrega ao julgamento da história a acusação paraguaia', *O Globo*, 4/27/1966, pp. 17.

⁹⁵ 'Diário do Congresso Nacional', 5/19/1966, p 61. Available at <http://imagem.camara.gov.br/Imagem/d/pdf/DCD19MAI1966.pdf?#page=61>. Accessed 3/30/2015. Day one of negotiations was held in Puerto Presidente Stroessner, and the second day moved across the river to Foz do Iguaçu.

framework for a bi-national dam on the Paraná River.⁹⁶ Brazil's delegation consisted of 23 men from various ministries within the military regime, while Paraguay's contingent counted 20 individuals of similar positions—including all four of the political figures that had been arrested by Brazilian troops the previous October.⁹⁷ The meeting got off to a rocky start as Paraguay's delegation began by insisting on the creation of a neutral border zone and the 50/50 split of all energy eventually produced—the exact criteria that Brazil had refused throughout the preceding months.⁹⁸ Brazil argued that a neutral frontier would set a dangerous precedent by which all of its borders could then, in theory, be challenged by any neighbouring country.⁹⁹ This stalemate carried over into the afternoon and at one point Chancellor Sapena Pastor insinuated that the Treaty of 1872 needed to be reassessed. According to his own recounting, Magalhães responded by stating that a treaty could only be renegotiated by another treaty or by a war; and since Brazil refused to discuss a new treaty, he asked if Paraguay was willing to start a war. Taken aback, Sapena Pastor asked if the Brazilian chancellor was threatening Paraguay. Magalhães said that he was simply trying to have a realistic conversation based on facts.¹⁰⁰

⁹⁶ The full document can be found at: 'Diário Oficial da União', 8/8/1966, p 9061-62. <http://www.jusbrasil.com.br/diarios/2934808/pg-43-secao-1-diario-oficial-da-uniao-dou-de-08-08-1966/pdfView>. Accessed on 3/30/2015.

⁹⁷ A full roster of the delegations can be found in CPDOC-FGV, JM pi 66.06.21, pasta III.

⁹⁸ Unless otherwise noted, the description of the Act of Iguaçu negotiations comes from a confidential report written afterwards by Magalhães and sent to President Castello Branco. Source: AAA/DAM/DF/G/SG/75/930.1(42)(43), in: JM 66.01.27/1(A) CMRE. CPDOC-FGV.

⁹⁹ This argument was made by the Estado Maior das Forças Armadas (EMFA) on June 16 as part of the larger process of drafting Brazil's proposal for the eventual negotiations with Paraguay. Source: AAA/DAM/DF/G/SG/75/930.1(42)(43), in: JM 66.01.27/1(A) CMRE, Appendix 7. CPDOC-FGV.

¹⁰⁰ AAA/DAM/DF/G/SG/75/930.1(42)(43), in: JM 66.01.27/1(A) CMRE, Appendix 21. CPDOC-FGV. This retelling is also included in Juracy Magalhães and J.A. Gueiros, *O Último Tenente*, (Rio de Janeiro, Editora Record, 1996), pp. 349. It is significant to note that no evidence was found from Paraguayan sources to corroborate this exchange.

It was at this peak of tension that the day's negotiations were called off due to 'substantial differences', with both parties agreeing to reconvene the next morning. Privately, Magalhães commented that this impasse might be insurmountable.¹⁰¹ Before leaving, however, Sapena Pastor and Magalhães exchanged proposals from their respective delegations. Each party deliberated deep into the night and returned the following morning with revised documents that were nearly identical. The main differences concerned two items that, as will be shown below, proved to be the most important of the entire negotiations. The entire second day was devoted to finding a solution to these two articles, and the both sides went back-and-forth for hours to determine the exact phrasing.

At 7pm, in the presence of both delegations and various reporters, the final document was presented and signed by Magalhães and Sapena Pastor. It consisted of eight articles, with numbers three and four being the critical pair that had demanded so much attention. Article three stated that Brazil and Paraguay agreed to jointly explore the hydroelectric potential of their shared waters; the recognition that Paraguay shared equal domain to the Paraná River was celebrated as the Paraguayan delegation's greatest accomplishment.¹⁰² Article four was the most controversial part of the final agreement. Although it proclaimed that the energy produced would be 'divided equally between both countries' it also stipulated that each nation maintained the right to buy the other's unused portion 'at a fair price' (*a justo preço*). With a fraction of the population and energy needs of Brazil, it was obvious that Paraguay would use nowhere near its fifty-percent share of the energy. Paraguay had initially proposed that the left over energy be sold 'at cost price' (*a preço de custo*) but gave in when Brazil threatened to end negotiations during

¹⁰² Special Border Commission Report, 9/16/1966, pp. 3. Source: AHCP.

the afternoon of the second day.¹⁰³ As such, Brazil's insertion of the intentionally vague 'fair price' clause guaranteed its ability to reap tremendous profits from the Itaipu dam.¹⁰⁴

A single memorandum was also attached to the final text. This document declared that although Brazil was firmly convinced of its territorial rights as granted by the Treaty of 1872, it would remove its troops from the border as a sign of goodwill. The very next paragraph states that Paraguay also maintained its interpretation of the Treaty of 1872 and asserted its own sovereign claim to the exact region occupied by Brazil's military. What appears to be a fundamental paradox—both countries using an alleged peace treaty to codify the exact reasons that nearly brought them to war—is actually a perfect embodiment of the border conflict itself. Each government was willing to make public gestures of cooperation only because it helped lead to the development of a hydroelectric project. Yet neither was willing to change its ideological approach, a contradiction that hints at the ways in which the border conflict would continue to fester for years to come.

The signing of the Act of Iguazú was met with fanfare that invoked a discourse of modernization and unity. Magalhães proclaimed that they had dissolved the tensions that had 'sullied the longstanding friendship of Brazil and Paraguay' and succeeded in honouring the pan-American community by promoting 'the peace and progress of our entire continent'. Sapena Pastor congratulated all involved for 'finding solutions to the most difficult problems facing the

¹⁰³ AAA/DAM/DF/G/SG/75/930.1(42)(43), in: JM 66.01.27/1(A) CMRE, Appendix 22. CPDOC-FGV.

¹⁰⁴ Article eight of the treaty of the 1973 Treaty of Itaipu required Paraguay to sell all of its unused energy exclusively to Brazil at the set price of US\$300 dollars per gigawatt hour (GWh). More importantly, this price was non-negotiable and was stipulated to stay fixed until 2023. The low cost for Itaipu is evident when compared to the price allotted for the Yacyretá dam, when during this same period Argentina and Paraguay agreed to sell its energy at \$2,998/GWh. Source: Ricardo Canese. *Itaipú: Dependencia o Desarrollo*. (Asuncion: Editorial Araverá, 1985), pp. 16. These treaty terms were only renegotiated in 2009, under the leftist governments of Inácio 'Lula' da Silva in Brazil and Fernando Lugo in Paraguay.

relationship between Brazil and Paraguay in the 20th century'.¹⁰⁵ Newspapers in both countries quickly disseminated this triumphant narrative. In Asunción, *La Tribuna* celebrated the 'positive and eloquent' results of the meeting, and Rio de Janeiro's *O Globo* remarked on the unprecedented exchange of peaceful negotiations that paved the way to construct the world's largest dam.¹⁰⁶ Despite the Act's proclamation that it represented a new era of cooperation between Brazil and Paraguay, its symbolic achievements would repeatedly be tested.

Less than a week after the Act was signed, an *O Globo* article reported that Brazil had already begun to withdraw its soldiers from Porto Renato.¹⁰⁷ If this were true it would have indicated that Brazil had been negotiating in good faith and that it was genuinely interested in building a new period of mutual prosperity. Yet the Brazilian government made no such efforts and the detachment remained firmly entrenched along the border. By September, Paraguay had grown so frustrated that Sapena Pastor went to the United Nations to denounce Brazil for having reneged on its promise. In response, Brazil said that although most of its troops had been removed, one sergeant and one corporal remained in order to guard the barracks and 'dissuade contraband activities'.¹⁰⁸ It was not until December 3—nearly 18 months after its soldiers first arrived in Porto Renato—that Brazil finally withdrew its military forces.

Yet Brazil did not remove its troops without making one final deal, and secured a concession that it had been seeking for years: uninhibited access to the fertile agricultural lands of eastern Paraguay. In his analysis of the Paraná borderlands, Andrew Nickson writes that 'In

¹⁰⁵ Both of these closing remarks are reproduced in: JM 66.01.27/1(A) CMRE. CPDOC-FGV.

¹⁰⁶ 'Culminaron con Positivo y Elocuente Resultado Tratativas de Cancilleres de Paraguay y Brasil' *La Tribuna*, 6/23/1966, pp. 5; 'Retirada da Fôrça de Guaíra em Troca da Aceitação da Fronteira'. *O Globo*, 6/23/1966, pp. 11.

¹⁰⁷ 'Brasil Abandonou o Guaíra'. *O Globo*, 6/28/1966.

¹⁰⁸ This information comes from a report marked 'secret/urgent' written on 6/6/1967. Source: BR AN,BSB N8.0.PSN, EST.286 p 728-737. AN-RJ.

exchange for the withdrawal of Brazilian troops from the Falls, agreed in the Act of Iguazu, the Paraguayan Government removed existing restrictions on Brazilian colonization'.¹⁰⁹ Specifically, the Stroessner regime repealed the 1940 Agrarian Statute that had prohibited the sale of land to foreigners within 150 km of the border. Although this law had previously been circumvented—Brazilian farmers had been trickling across the border for decades—its abolition meant that lands could now be sold openly. Brazilians began to flood *en masse* into Paraguay's eastern frontier, setting off a wave of agricultural migrants known as 'brasiguaios'—an amalgam of the Portuguese words for 'Brazilian' and 'Paraguayan'.¹¹⁰ In 1962, fewer than 2,500 Brazilian colonists lived in Paraguay's three main eastern border departments, but with the removal of legal restrictions that number soared to 29,000 in 1972, and 360,000 by 1983.¹¹¹ Currently, there are an estimated 450,000 brasiguaios, representing 60 percent of the border region and nearly 10 percent of Paraguay's entire population.¹¹² Brazil's manoeuvres during the border crisis therefore secured not only geopolitical prestige and access to unprecedented hydroelectric energy, but a monopoly on what would quickly become a thriving agricultural enclave. By refusing to remove its troops unless Stroessner granted unfettered access to new lands, the Brazilian government expanded its reach even deeper into Paraguayan territory.

Conclusion

In the mid-1960s a bi-national dam had represented the chance to solve two problems at once: the governments of Brazil and Paraguay were able to harness the hydroelectric power of

¹⁰⁹ 'Brazilian Colonization of the Eastern Border Region of Paraguay', pp. 121.

¹¹⁰ For a history of brasiguaios, see Jacob Blanc, "Enclaves of Inequality: Brasiguaios and the Transformation of the Brazil-Paraguay Borderlands." *The Journal of Peasant Studies*. 2014, Vol. 42 (1): 145-158.

¹¹¹ Kleinpenning, J. M. G. 1987. *Man and Land in Paraguay*. Amsterdam, Netherlands: CEDLA.

¹¹² Blanc, 'Enclaves of Inequality', pp. 145.

the Paraná River while also resolving a century-old border conflict. Over 1,300 square kilometres were flooded to create Itaipu's reservoir basin. This area included the Guaíra waterfalls themselves, meaning that the rising waters of Itaipu swallowed up the entire region around Porto Renato. After 100 years of geopolitical standoffs, Brazil and Paraguay had finally found a way to make their border conflict literally disappear. As Brazil's Foreign Ministry described in a confidential report: the dam 'should flood the entire disputed zone, and as such, would finally resolve this problem'.¹¹³

Over the course of the Guaíra border crisis, the Southern Cone's geopolitical compass tilted dramatically. During the infancy of Brazil's dictatorship, its leaders stood firm against the demands of both Paraguay and Argentina, allowing the Brazilian regime to bolster its standing throughout the region. By seeking to fulfil the development ideologies of its Doctrine of National Security—and with the support of the U.S. government—the Brazilian dictatorship gained control of both the waters of the Paraná River, and the lands of eastern Paraguay. This process not only brought Paraguay into Brazil's sphere of power, but it simultaneously minimized the influence of Argentina. And although Paraguay was marginalised by the stigma of being a secondary nation stuck in Brazil's shadow, the government's actions at Guaíra guaranteed that it would benefit greatly from new sources of hydroelectric energy.

The Guaíra border standoff was one of the most significant events in the formation of Latin America's current geopolitical landscape. Along with enabling the construction of the Itaipu dam, this process catalysed Brazil's ascent as the Southern Cone's major power. Rooted in the legacies of the War of the Triple Alliance, the conflict was reanimated a century later by the ambitions of two military regimes in the throes of Latin America's Cold War. For fifteen months

¹¹³ Itamaraty report, 7/5/1967. BR AN,BSB N8.0.PSN, EST.286, pp. 736. AN-RJ.

between 1965 and 1966, the governments of Brazil and Paraguay attempted to defend their national sovereignty in a tense frontier zone. Each regime mobilised troops along the border, invoked the spectre of war, and did everything it could to stake a claim to the hydroelectric potential of the Paraná River. When the dust settled, Brazil had secured almost complete control of the eventual Itaipu project, and was well on its way to becoming the region's most powerful nation. On the 50th anniversary of this momentous—yet almost entirely overlooked—episode in Latin American history, revisiting the Brazil-Paraguay border crisis unearths the forgotten roots of the Itaipu dam while shedding new light on the geopolitics of the Southern Cone.